GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3055
ANSWERED ON:12.08.2005
DEBT PROFILE
Purandeswari Smt. Daggubati

Will the Minister of FINANCE be pleased to state:

(a) the debt profile of the various State Governments during the last three years, year-wise and State-wise;

(b) whether the 12th Finance Commission considered the matter and suggested any corrective measures; and

(c) if so, details thereof and Governments reaction thereto?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a): The outstanding debt and liabilities of state Governments during the last three years is annexed.

(b) & (c): Yes, Sir. The Twelfth Finance Commission has recommended a Debt Consolidation and Waiver Scheme for states. Under the scheme, the past Central loans contracted till 31.3.2004 and outstanding as on 31.3.2005 are to be consolidated and rescheduled for repayment in 20 equal annual installments at a reduced interest rate of 7.5%, subject to states enacting Fiscal Responsibility and Budget Management Acts with suggested core provisions. As a result, the states together would have to pay lesser a mount of Rs. 11,929 crore under principal repayment and Rs.21,276 crore under lower interest repayment. In addition, the debt write-off recommended by TFC is linked to reduction of revenue deficit of states for repayments due from 2005-06 to 2009-10 on the consolidated central loan, subject to laid down conditions. The above recommendations have been accepted by Government of India and detailed guidelines called `The States` Debt Consolidation and Relief Facility (DCRF) 2005-06 to 2009-10` has been formulated and circulated to all state Governments.